

TENNESSEE STATE BOARD OF EQUALIZATION
BEFORE THE ADMINISTRATIVE JUDGE

IN RE:	Anne Robinson)	Davidson County
	Property ID: 117 14 0 081.00)	Appeal No. 91747
	Property ID: 117 03 0 110.00)	Appeal No. 91748
	Property ID: 130 08 0 080.00)	Appeal No. 91746
	Tax Years 2013 & 2014)	

INITIAL DECISION AND ORDER

Statement of the Case

The Metropolitan Board of Equalization ("Metropolitan Board") valued the subject properties for tax year 2013 as follows:

<u>PARCEL</u>	<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
081.00	\$240,000	\$22,000	\$262,200	\$65,550
110.00	\$215,000	\$38,600	\$253,600	\$101,440
080.00	\$378,000	\$22,000	\$400,000	\$100,000

The taxpayers timely appealed to the State Board of Equalization ("State Board"). The undersigned administrative judge conducted the hearing on September 18, 2014 in Nashville. Taxpayers Tom and Andy Robinson and Davidson County Property Assessor employee David Harper participated.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

As a preliminary matter, the appeals are amended to include tax year 2014 pursuant to State Board Rule 0600-01-.10(2). Each property is discussed separately below.

3922 Cross Creek Rd.; 117-14-0 081.00

The subject is a 1,220 square foot, two bedroom, 1.5 bath single family residence in Nashville. The taxpayers contended the subject should be valued at \$183,536. To support this

position, the taxpayers presented a sales report of nearby single family residences ranging from 1,980 to 4,884 square feet with three to four bedrooms and one to three baths. The taxpayers multiplied an average price per improvement square foot figure for the sales by the subject's 1,220 square feet to arrive at their estimate of value. The taxpayers also presented the following "income approach":

2012	\$2,229.00
2011	\$1,439.00
2010	\$3,752.00
Average net income:	\$2,473.00
Income approach (12.8 cap rate)	\$19,322.00

According to the taxpayers, the above income figures reflected actual historical performance of the subject as a rental house. The taxpayers' "12.8 cap rate" was copied from a 1998 State Board order for an 85,000 square foot manufacturing/warehouse facility¹; further, the taxpayers seemed to believe they had seen similar figures used in more recent years.

The assessor's representative recommended that the Metropolitan Board determination of \$262,200 be upheld. To support this position, Mr. Harper presented a detailed sales comparison approach. In Mr. Harper's opinion, the highest and best use of the subject was not as a rental home, and the subject was ripe for teardown and redevelopment. Accordingly, Mr. Harper included two properties that were torn down and redeveloped after the sales.

Since the taxpayers are appealing the determination of the Metropolitan Board, they have the burden of proof in this proceeding. See State Board of Equalization Rule 0600-1-.11(1) and *Big Fork Mining Company v. Tennessee Water Quality Control Board*, 620 S.W.2d 515 (Tenn. App. 1981). Tenn. Code Ann. § 67-5-601(a) provides, "The value of all property shall be

¹ See *Centennial Blvd. Associates* (Initial Decision & Order, Davidson County, Tax Years 2013 and 2014, issued September 30, 2014) for further discussion.

ascertained from the evidence of its sound, intrinsic and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values..." The Assessment Appeals Commission has observed,

The best evidence of the present value of a residential property is generally sales of properties comparable to the subject, comparable in features relevant to value. Perfect comparability is not required, but relevant differences should be explained and accounted for by reasonable adjustments. If evidence of a sale is presented without the required analysis of comparability, it is difficult or impossible for us to use the sale as an indicator of value

E.B. Kissell, Jr. (Final Decision & Order, Shelby County, Tax Years 1991 and 1992).

Upon review of the record, the administrative judge recommends that the Metropolitan Board determination of \$262,200 be upheld. The administrative judge finds the taxpayers failed to establish a prima facie case. The taxpayers failed to meaningfully analyze the comparables or adjust for relevant differences. Additionally, the taxpayers' price per improvement square foot analysis is flawed for a number of reasons. The highest and best use of the subject appears to be teardown and redevelopment, and even if price per improvement square foot were a relevant metric, the properties analyzed by the taxpayers dwarf the subject with respect to living area and bear little resemblance to the subject. The administrative judge finds the taxpayers' income approach incorrect and not reflective of the market. Additionally, the income approach appears to be inapplicable in this case because a reasonable potential purchaser would likely not consider the subject for its rent-generating capability. On the other hand, Mr. Harper's analysis provided reasonable support for a value at or above the Metropolitan Board determination.

2919 Sharon Circle; 117-03-0 110.00

The subject property consisted of a 1,500 square foot duplex. The taxpayers contended the subject should be valued at \$199,000, based on an average duplex price per improvement square foot analysis indicating a value of \$199,165.00. The taxpayer also presented the following "income approach":

2012	\$11,553.00
2011	\$9,281.00
2010	\$3,102.00
Average net income:	\$7,978.00
Income approach (12.8 cap rate)	\$62,328.00

According to the taxpayers, the above income figures reflected actual historical performance of the subject as a rental house. The taxpayers' "12.8 cap rate" was copied from a 1998 State Board order for an 85,000 square foot manufacturing/warehouse facility; further, the taxpayers seemed to believe they had seen similar figures used in more recent years.

Based primarily on the income approach, the assessor's representative contended that the subject should be lowered to \$245,000, based on comparable sale prices and, when applicable, prices per improvement square foot of duplexes within the subject's MLS area.² Mr. Harper further opined that a gross monthly rent multiplier of 150 and \$1,700/month market rent, which he derived from actual data on the duplexes sold in the subject's MLS area, would be appropriate for an income analysis.³ Mr. Harper supported these figures with an analysis of competing properties within the subject's MLS area.

Upon review of the record, the administrative judge finds that the value of the subject should be lowered to \$245,000 consistent with Mr. Harper's analysis. The administrative judge

² Mr. Harper pointed out that many duplexes in the area were demolished and redeveloped into single family residences after the purchase. Five such duplexes sold for \$240,000 each, and one sold for \$215,000.

³ These figures would indicate a value of \$255,000.

finds the taxpayers failed to establish a prima facie case. Although the taxpayers' price per improvement square foot analysis was based on duplexes, many of which were sized similarly to the subject, the taxpayers' comparables with the lowest prices per square foot were miles away from the subject and in dissimilar neighborhoods. Additionally, the administrative judge finds the taxpayers' income approach incorrect and not reflective of the market. On the other hand, Mr. Harper provided reasonable support for his opinion of value.

3616 Trimble Rd.; 130-08-0 08.00

The subject property consisted of a 2,321 square foot single family residence. The taxpayers contended the subject should be valued at \$342,844, based primarily on an average price per improvement square foot analysis. The taxpayer also presented the following "income approach":

2012	\$15,950.00
2011	\$15,526.00
2010	\$16,496.00
Average net income:	\$15,990.00
Income approach (12.8 cap rate)	\$124,921.00

According to the taxpayers, the above income figures reflected actual historical performance of the subject as a rental house. The taxpayers' "12.8 cap rate" was copied from a 1998 State Board order for an 85,000 square foot manufacturing/warehouse facility; further, the taxpayers seemed to believe they had seen similar figures used in more recent years.

The assessor's representative recommended that the Metropolitan Board determination should be lowered to \$395,000. To support this position, Mr. Harper presented a detailed sales comparison approach of similar homes that were not torn down and redeveloped after purchase.

In Mr. Harper's opinion, the subject was ripe for teardown and redevelopment. Accordingly, Mr. Harper also provided information on land sales to support his position.

Upon review of the record, the administrative judge finds that the value of the subject should be lowered to \$395,000 consistent with Mr. Harper's analysis. The administrative judge finds the taxpayers failed to establish a prima facie case. The taxpayers failed to meaningfully analyze the comparables or adjust for relevant differences, and it is quite possible the highest and best use of the subject is teardown and redevelopment, which would suggest the improvement square feet are irrelevant. The administrative judge finds the taxpayers' income approach incorrect, not reflective of the market, and inapplicable. A reasonable potential purchaser would likely not consider the subject for its rent-generating capability. And yet again, Mr. Harper's analysis provided reasonable support for his opinion of value.

ORDER

It is therefore ORDERED that the following value and assessment be upheld and adopted for tax years 2013 and 2014:

<u>PARCEL</u>	<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
081.00	\$240,000	\$22,000	\$262,200	\$65,550
110.00	\$215,000	\$30,000	\$245,000	\$98,000
080.00	\$378,000	\$17,000	\$395,000	\$98,750

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

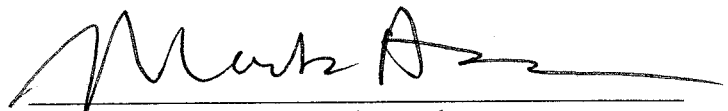
1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **“must be filed within thirty (30) days from the date the initial decision is sent.”** Rule 0600-1-.12 of

the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **"identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order"**; or

2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review.

The result of this appeal is final only after the time expires for further administrative review, usually seventy-five (75) days after entry of the Initial Decision and Order if no party has appealed.

ENTERED this 9th day of October 2014.



Mark Aaron, Administrative Judge
Tennessee Department of State
Administrative Procedures Division
William R. Snodgrass, TN Tower
312 Rosa L. Parks Avenue, 8th Floor
Nashville, Tennessee 37243

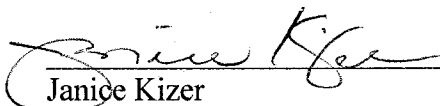
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and exact copy of the foregoing Order has been mailed or otherwise transmitted to:

Anne Robinson
4400 Granny White Pike
Nashville, Tennessee 37204

George L. Rooker, Jr.
Davidson Co. Assessor of Property
700 Second Avenue South, Suite 210
Post Office Box 196305
Nashville, Tennessee 37219-6305

This the 9th day of October 2014.



Janice Kizer
Tennessee Department of State
Administrative Procedures Division